

# ***Indiana Legislative Services Agency***

## ***Fiscal Issue Brief***

September 27, 2010

### **Indiana's Geographically Targeted Development Programs: Community Revitalization Enhancement Districts**

#### ***Introduction***

Community Revitalization Enhancement Districts (CREDS) are special zones within which local units may acquire property or make improvements for industrial development purposes. P.L.125-1998 [IC 36-7-13] authorized the first CRED to be designated in Bloomington. The statute has since been amended to allow additional CREDS to be designated for specified sites in specified local units. In addition, P.L. 224-2003 [IC 36-7-13-10.1] expanded the CRED program to allow any 1<sup>st</sup> or 2<sup>nd</sup> class city to designate one new CRED.

A CRED is either designated by an advisory commission on industrial development or designated by the legislative body of a county or municipality. The local resolution or ordinance designating a CRED must be reviewed by the State Budget Committee and approved by the State Budget Agency.<sup>1</sup> A CRED terminates not later than 15 years after it receives its first allocation of captured incremental tax revenue.

#### ***Locations***

Table 1 lists the approved CREDS in the state, reports whether the CRED was established under the older site-specific statutes or the more recent 1<sup>st</sup> and 2<sup>nd</sup> class cities authorization, and reports whether the CRED is active or inactive.<sup>2</sup>

**Table 1: Approved CREDS and Statutory Authority.**

<b>CRED</b>	<b>Authority</b>	<b>Operation</b>
Bloomington (Thomson)	Site-specific Statutes	Active
Fort Wayne (Southtown)	Site-specific Statutes	Active
Marion (Phase I & II)	Site-specific Statutes	Active
South Bend	Site-specific Statutes	Active
Delaware County (MAGNA)	Site-specific Statutes	Active
Delaware County (ABB)	Site-specific Statutes	Not Active
Anderson (Jefferson/GM)	1 <sup>st</sup> /2 <sup>nd</sup> Class Cities Statutes	Not Active
Bloomington (Downtown)	1 <sup>st</sup> /2 <sup>nd</sup> Class Cities Statutes	Active
Fort Wayne (Downtown)	1 <sup>st</sup> /2 <sup>nd</sup> Class Cities Statutes	Not active
Indianapolis (Lafayette Square)	1 <sup>st</sup> /2 <sup>nd</sup> Class Cities Statutes	Active

Source: State Budget Agency; contacts with local units.

<sup>1</sup> If the State Budget Agency fails to take action within 120 days of the date the resolution is submitted to the State Budget Committee, the resolution is considered approved.

<sup>2</sup> P.L. 113-2010 authorized a third area in Delaware County for designation as a CRED. However, the law specified that if the new CRED is designated, the advisory commission on industrial development must select either the current ABB CRED, which is inactive, or the new CRED to receive allocations of incremental income and sales taxes. The advisory commission is required to inform the State Budget Agency of the selection.

### ***CRED Income and Sales Tax Increment Allocations***

The predominant funding source for CREDs is incremental revenue generated within the CRED from Sales Tax, state Income Tax, and local option income taxes. A CRED may not capture incremental revenue from these taxes unless the resolution or ordinance establishing the CRED has received state approval.

CREDs established under the older site-specific statutes are subject to a \$1 M annual limit on capture of Sales Tax and state Income Tax revenue. Table 2 reports the incremental state and local Income Tax and Sales Tax revenue captured by each of these CREDs since their incipience.

**Table 2: Revenue Captured by CREDs Under Site-specific Statutes, FY 1999-2009.**

<b>Fiscal Year</b>	<b>Bloomington (Thomson)</b>	<b>Fort Wayne (Southtown)</b>	<b>Marion (Phase I)</b>	<b>Marion (Phase II)</b>	<b>South Bend</b>	<b>Delaware County (MAGNA)</b>	<b>TOTAL</b>
<b>1999</b>	94,106	-	-	-	-	-	<b>94,106</b>
<b>2000</b>	139,594	-	-	-	-	-	<b>139,594</b>
<b>2001</b>	156,228	-	-	-	-	-	<b>156,228</b>
<b>2002</b>	102,079	-	24,241	-	141,219	-	<b>267,539</b>
<b>2003</b>	24,942	-	115,862	-	226,291	-	<b>367,095</b>
<b>2004</b>	43,252	-	254,701	297,687	287,757	-	<b>883,397</b>
<b>2005</b>	259,863	-	243,084	269,260	965,052	-	<b>1,737,259</b>
<b>2006</b>	432,657	-	353,342	420,765	1,000,000	77,227	<b>2,283,991</b>
<b>2007</b>	431,005	1,000,000	407,555	617,459	1,000,000	248,330	<b>3,704,349</b>
<b>2008</b>	432,924	1,000,000	311,942	531,359	955,315	299,829	<b>3,531,369</b>
<b>2009</b>	575,976	1,000,000	399,521	520,202	605,623	247,228	<b>3,348,550</b>
<b>Total</b>	<b>2,692,626</b>	<b>3,000,000</b>	<b>2,110,248</b>	<b>2,656,732</b>	<b>5,181,257</b>	<b>872,614</b>	<b>21,220,630</b>

Source: Indiana Department of State Revenue.

CREDs established under 1<sup>st</sup> and 2<sup>nd</sup> class cities statutes are subject to a \$750,000 annual limit on capture of Sales Tax and state Income Tax revenue. Table 3 reports the incremental state and local Income Tax and Sales Tax revenue captured by the CREDs established under the 1<sup>st</sup> and 2<sup>nd</sup> class cities statutes. Through FY 2009 the Bloomington (Downtown) CRED was the only such CRED to capture revenue. The Indianapolis (Lafayette Square) CRED is active but did not begin capturing revenue until FY 2010.

**Table 3: Revenue Captured by CREDs under 1<sup>st</sup>/2<sup>nd</sup> Class Cities Statutes, FY 2004-2009.**

<b>Fiscal Year</b>	<b>Bloomington (Downtown)</b>
<b>2004</b>	457,653
<b>2005</b>	343,366
<b>2006</b>	906,134
<b>2007</b>	1,000,000
<b>2008</b>	1,000,000
<b>2009</b>	1,000,000
<b>Total</b>	<b>4,707,153</b>

Source: Indiana Department of State Revenue.

### **Community Revitalization Tax Credit**

Under current statute, a taxpayer who makes a qualified investment for the redevelopment or rehabilitation of property located within a CRED is entitled to a tax credit equal to 25% of the qualified investment. The investment must be approved by the Indiana Economic Development Corporation. However, a taxpayer is not entitled to the credit if they substantially reduce operations or cease to operate in another area of the state in order to relocate within the CRED. The credit is nonrefundable, but unused credits may be carried forward to subsequent years. Unused credits may not be carried back. The credit may be used to reduce the taxpayer's tax liability under the individual or corporate Adjusted Gross Income Tax, local option income taxes, the Financial Institutions Tax, or the Insurance Premiums Tax. Table 4 reports the CRED tax credit amounts claimed by individuals and corporations for tax years 2005 through 2008.

**Table 4: Community Revitalization Tax Credits Claimed by Individual and Corporate Taxpayers, 2005-2008.**

<b>Tax Year</b>	<b>Individual</b>	<b>Corporate</b>
<b>2005</b>	291,249	*
<b>2006</b>	54,228	3,224,231
<b>2007</b>	416,447	2,663,171
<b>2008</b>	152,446	**

\*Data not reported separately for individual taxpayers before 2005 or for corporate taxpayers before 2006.

\*\*Data not available as of publication date.

Source: Indiana Department of State Revenue Tax Return Data.

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